

STATEMENT OF WILLIAM F. BOLGER
BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

March 1, 1984

Mr. Chairman, the Postal Service is vitally concerned that all of its employees have access to an attractive, financially sound, and affordable pension system. We appreciate very much the opportunity to participate in the Committee's hearings on the development of a permanent supplemental retirement plan for newly hired employees who are subject to Social Security.

You probably know that the Postal Service does not have the actuarial staff which would be necessary to give you a detailed proposal of its own for the required supplemental system. I understand that both this Committee and the Administration have engaged expert consultants to prepare detailed recommendations to be presented on this subject later this year. I hope that the Postal Service will have the opportunity to continue to work with the Committee as this important task proceeds, and that we will be able to examine the detailed proposals that will be presented as they become available.

We do have some general thoughts which I want to share with you today. These general thoughts are submitted on each of the major areas on which you requested my views in your invitation letter.

Comparability Analysis

We applaud the efforts of your Committee, Mr. Chairman, in investigating the practices in other sectors of the economy in

-2-

designing any new Federal retirement system. We also agree that any design for a new system must be placed within the perspective of total compensation and benefits. However, in answer to your specific question, we do not have enough information at this time regarding the scope of your proposed survey to recommend the specific range of benefits that ought to be considered in such an analysis.

General Design

Without prejudging the result of the consultant studies which are being conducted, we believe it is important that a retirement plan give the employee a good picture of the benefits he can expect to receive. For that reason we tend to find a "defined benefit" approach more attractive than a "defined contribution" approach. Both employer and employee have an interest in having a system which provides them in advance a clear idea of what their rights and responsibilities will be.

Eligibility and Inflation Protection

We favor reasonable ceilings on cost-of-living adjustments and other provisions which prevent costs from running out of control. In an effort to encourage all employees to save towards their retirement, perhaps some form of voluntary retirement savings plan might be established, similar to plans offered in the private sector. This would increase the role of each employee in providing for his or her retirement. To maintain comparability, such voluntary options might be afforded to all employees.

-3-

Financing

Any examination of the funding for a supplemental retirement system should include a search for ways to incorporate an investment policy which would provide a higher rate of return than is obtained under the current civil service retirement system. Below-market investment earnings impose an additional cost which should not be added to the employer's and employee's burden in the funding of the pension system.

Mr. Chairman, I have not sought to address some of the more technical questions listed in your invitation letter for these hearings. I believe you have already received testimony from witnesses qualified to deal with them. I will be pleased to respond to any questions you have for me.